



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
ROWAN COUNTY SHERIFF**

Calendar Year 2000

**EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
ROWAN COUNTY SHERIFF

Calendar Year 2000

The Auditor of Public Accounts has completed the Rowan County Sheriff's audit for calendar year 2000. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Fee account balances increased by \$17,927 from the prior calendar year, resulting in excess fees of \$63,398 as of December 31, 2000. Revenues increased by \$111,503 from the prior year and disbursements increased by \$93,576.

Report Comments:

- The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits
- The Sheriff Should Publish A Financial Statement In Accordance With KRS 424.220

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES	3
NOTES TO FINANCIAL STATEMENT	6
COMMENTS AND RECOMMENDATIONS	11
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	15



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Clyde A. Thomas, Rowan County Judge/Executive
Honorable Jack Carter, Rowan County Sheriff
Members of the Rowan County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the Sheriff of Rowan County, Kentucky, for the year ended December 31, 2000. This financial statement is the responsibility of the Rowan County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Rowan County Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the Rowan County Sheriff for the year ended December 31, 2000, in conformity with the basis of accounting described above.

In accordance with Government Auditing Standards, we have also issued our report dated November 27, 2001, on our consideration of the Rowan County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Clyde A. Thomas, Rowan County Judge/Executive
Honorable Jack Carter, Rowan County Sheriff
Members of the Rowan County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discuss the following areas of noncompliance:

- The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits
- The Sheriff Should Publish A Financial Statement In Accordance With KRS 424.220

Respectfully submitted,

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
November 27, 2001

ROWAN COUNTY
JACK CARTER, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 2000

Receipts

Federal Contracts	\$	16,000	
Federal Grants			35,297
State - Kentucky Law Enforcement Foundation Program Fund			29,960
State Fees For Services: Finance and Administration Cabinet			22,487
Circuit Court Clerk:			
Sheriff Security Service	\$	32,942	
Fines and Fees Collected		837	33,779
Fiscal Court			
Employer's Share of Social Security	\$	16,441	
Deputy Incentive Pay		5,000	
Operating Expenses		20,000	
Transporting Prisoners		19,801	
Other		7,446	68,688
County Clerk - Delinquent Taxes			4,499
Commission On Taxes Collected			173,439
Fees Collected For Services:			
Auto Inspections	\$	6,525	
Serving Papers		10,795	17,320
Other:			
Carrying Concealed Deadly Weapon Permits		4,620	
Insurance Reimbursement		3,344	
Tax Collection Fees		27,426	
Miscellaneous		6,730	42,120
Interest Earned			4,059

ROWAN COUNTY
 JACK CARTER, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 2000
 (Continued)

Receipts (Continued)

Borrowed Money:

State Advancement	\$	60,000
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Gross Receipts	\$	507,648
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Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$	111,968
Other Salaries		56,013

Employee Benefits-

Employer's Share Social Security		17,678
Domestic Violence Grant Employee Benefits		2,517

Contracted Services-

Advertising		4,155
Professional Services		6,150

Materials and Supplies-

Office Materials and Supplies		17,357
Uniforms		6,429

Auto Expense-

Maintenance and Repairs		37,382
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Other Charges-

Bond		51
Carrying Concealed Deadly Weapon Permits		3,560
Computer Software		3,826
Conventions and Travel		6,343
Dues		593
Fiscal Court Fees		1,080
Radio		5,017

ROWAN COUNTY
 JACK CARTER, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 2000
 (Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay: (Continued)

Transporting Prisoners	\$	3,657	
Miscellaneous		4,821	
Capital Outlay-			
Office Equipment		2,000	
Vehicle		4,950	
Vehicle Equipment		6,478	
Debt Service:			
Lease		4,782	
Notes Payable		12,507	
State Advancement		<u>60,000</u>	
Total Disbursements			<u>\$ 379,314</u>
Net Receipts			\$ 128,334
Less: Statutory Maximum	\$	63,542	
Training Incentive Benefit		<u>1,394</u>	<u>64,936</u>
Excess Fees Due County for Calendar Year 2000			\$ 63,398
Payments to County Treasurer - March 19, 2001	\$	60,173	
November 27, 2001		<u>3,225</u>	<u>63,398</u>
Balance Due at Completion of Audit			<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statement.

ROWAN COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2000.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent. Hazardous covered employees are required to contribute 8.0 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.78 percent.

ROWAN COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2000
 (Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement System's annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of December 15, 2000, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$433,618 of public funds uninsured and unsecured.

	<u>Bank Balance</u>
Collateralized with securities held by pledging depository institution in the county official's name	\$ 2,406,337
Insured by the Federal Deposit Insurance Corporation	100,000
Uncollateralized and uninsured	<u>433,618</u>
Total	<u><u>\$ 2,939,955</u></u>

ROWAN COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2000
(Continued)

Note 4. Notes Payable

As of December 31, 2000, the Sheriff's Office was liable for the following notes:

Item	Monthly Payment	Term	Ending Date	Balance
Vehicle	\$ 235	24 Months	4/22/2001	\$ 940
Vehicle	\$ 312	36 Months	7/25/2002	\$ 5,928
Vehicle	\$ 495	60 Months	9/14/2002	\$ 10,395

Note 5. Lease

The Office of the County Sheriff is committed to a lease agreement with Firststar Bank for a vehicle. The agreement requires a monthly payment of \$398 for 60 months to be completed on October 20, 2002. The total balance of the agreement is \$8,756 as of December 31, 2000.

Note 6. Federal Contracts

The Sheriff received \$16,000 from the U.S. Department of Agriculture for providing forest patrol service at the Daniel Boone National Forest.

Note 7. Federal Grants

- A. On January 6, 2000, the Sheriff was awarded a Domestic Violence Enforcement Grant in the amount of \$29,865. The Sheriff spent funds totaling \$29,865 during the year, leaving a balance of \$0 at December 31, 2000.
- B. On July 1, 1999, the Sheriff was awarded a Community Watch Program Grant in the amount of \$10,822. The balance at January 1, 2000 was \$5,432. The Sheriff spent funds totaling \$5,432 during the year, leaving a balance of \$0 at December 31, 2000.

COMMENTS AND RECOMMENDATIONS

ROWAN COUNTY
JACK CARTER, COUNTY SHERIFF
COMMENTS AND RECOMMENDATIONS

Calendar Year 2000

STATE LAWS AND REGULATIONS:

1. The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

On December 15, 2000, \$433,618 of the Sheriff's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the Sheriff require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

County Sheriff's Response:

We will increase by \$500,000.

2. The Sheriff Should Publish A Financial Statement In Accordance With KRS 424.220

The Sheriff did not publish a financial statement. KRS 424.220 requires financial statements to be published within 60 days after the close of the calendar year. We recommend the Sheriff publish a financial statement as required.

County Sheriff's Response:

We will publish our 2001 financial statement within 60 days.

INTERNAL CONTROL - REPORTABLE CONDITIONS:

None.

INTERNAL CONTROL - MATERIAL WEAKNESSES:

None.

PRIOR YEAR:

- The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits
- The Sheriff Should Publish A Financial Statement In Accordance With KRS 424.220

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



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Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of receipts, disbursements, and excess fees of the Rowan County Sheriff for the year ended December 31, 2000, and have issued our report thereon dated November 27, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Rowan County Sheriff's financial statement for the year ended December 31, 2000, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying comments and recommendations.

- The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits
- The Sheriff Should Publish A Financial Statement In Accordance With KRS 424.220

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Rowan County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
November 27, 2001

